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SUBJECT: ROMANIA: ENERGY SCENESETTER FOR SE MORNINGSTAR

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¶1. (SBU) Post warmly welcomes the visit of Special Envoy for Eurasian Energy Richard Morningstar. Your visit comes at just the right time to send an important signal to our Romanian allies that the United States remains fully engaged in Eastern Europe, especially when it comes to energy security. The Black Sea Energy and Economic Forum, where you will deliver the opening night address, will bring together a broad spectrum of ministers and business leaders to discuss energy security and cooperation. As event organizer, the Atlantic Council envisions this Forum as the first of what will become a regular series of conferences around the Black Sea on transnational energy issues. As co-host, the Romanian Government hopes the Forum will burnish Romania's credentials as a serious player in regional energy issues and enhance Romanian aspirations to be the primary European gateway to the Black Sea and beyond to the Caspian region and Central Asia.

¶2. (SBU) You will be the first high-level State visitor from Washington to meet with President Traian Basescu since DAS Matt Bryza in January. Basescu is a big-picture strategic thinker and very well informed on energy issues from a national (and EU) security perspective. He has personally driven Romania's own "energy diplomacy" by pursuing closer bilateral relations with Turkey, Georgia, and Kazakhstan, and has made overtures to Turkmenistan. Basescu has been particularly successful in forging close ties with President Aliyev of Azerbaijan, who just concluded his most recent visit to Bucharest on September 28. Despite Romania's rough-and-tumble domestic politics, there is broad consensus on geostrategic issues like energy security, and differences are more of nuance than substance. Likely to run for re-election this November, President Basescu has faced some media criticism for putting too much faith in Romania's relationship with the United States. However, in recent statements he has strongly reaffirmed our bilateral partnership as the cornerstone of Romanian foreign policy. Despite budgetary constraints due to the current recession, Romania remains a staunch NATO ally and contributor to missions in Afghanistan and the Western Balkans.

¶3. (SBU) Views on energy security tend to be closely aligned with our own. Romania is a member and steadfast supporter of the Nabucco consortium and seeks to use its ties with Central Asia to encourage gas exports via Nabucco, complementing U.S. efforts. The draft bill for Romania's ratification of the Nabucco Inter-governmental Agreement should be submitted to Parliament shortly. Looking further ahead, Romania also sees promise in the White Stream project. Romania is interested in reviving the stalled Pan-European Oil Pipeline (PEOP) and in exploring other avenues of transit for crude and refined oil products through Romania to the rest of the EU. KazMunayGaz (KMG), owner of Rompetrol (Romania's second largest oil refiner and distributor), wants to leverage its refining capacity here to export Kazakh oil to the European market.

¶4. (SBU) While domestic natural gas production still meets 60

percent of Romanian consumption, the 40 percent that is imported comes entirely from Russia via Ukraine. In the wake of last winter's gas cutoff, Romania is eager to diversify its gas sources. Beyond new pipelines like Nabucco, Romania sees promise in liquified natural gas (LNG) imports through a proposed terminal at the port of Constanta. The U.S. Trade and Development Agency (USTDA) is financing a one-year feasibility study for which state-owned Romgaz and U.S. contractor Granherne concluded a contract on September 15. A key issue will be sea routes for LNG to Constanta. Although Romania enjoys good relations with Turkey -- due in part to Romania's vocal support for Turkish accession to the EU -- LNG transit through the Bosphorus remains a contentious topic, and the Romanians have frequently signaled their interest in U.S. engagement with Turkey on this question. Romania hopes that LNG transit across the Black Sea may be possible in the future, although USTDA recently declined to pursue a feasibility study for a gas liquefaction plant in Georgia. Romania is also pursuing better gas connectivity with its neighbors; a pipeline linking its national grid with Hungary will be completed soon, and talks are underway for a similar hookup with Bulgaria.

¶15. (SBU) Romania maintains a cautious but pragmatic energy relationship with Russia. Officials have been in talks with Gazprom over development of a two billion cubic meter underground gas storage facility. As part of a broader engagement with Russia, Romania would like to see forward progress on the EU Energy Charter Treaty. Romania and Russia are also finding ways to cooperate on commercial projects outside of the energy sphere. Even though Romanians are reluctant to cede too much control over national energy infrastructure to any third party, they recognize their need for the investment money and technical expertise required to upgrade domestic infrastructure and exploit unconventional energy sources. If the Russians can supply these, Romania is willing to talk.

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¶16. (SBU) Despite membership in the EU, Romania is still a developing country and is sympathetic to other developing countries' concerns on global issues such as climate change. This is usually expressed quietly, however, as an effort to influence policy decisions within the EU. Publicly Romania follows the EU lead. Romania's large hydroelectric base and growing nuclear power capacity, coupled with less reliance on coal-fired plants, put the country much closer to meeting EU emissions targets than most other states in Eastern Europe. Romania sees great promise in renewable energies, especially wind power. However, in spite of efforts to build substantial wind farms in the Dobrogea region along the Black Sea coast, transmission grid capacity limits and problems obtaining financing have slowed progress.

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